



January 7, 2008

Mr. Steve Hill, Administrator
Health Care Authority
PO Box 42700
Olympia, WA 98504-2700

Benefits Administration / Insurance Accounting System (BAIAS) Project
Quality Assurance Report

Dear Mr. Hill:

The enclosed report represents quality assurance findings and recommendations for the BAIAS Project through the month of December. We have attended Steering Committee meetings, the Advisory Group meetings, project team meetings, vendor evaluation sessions, and working sessions with project leaders and vendors. The project was focused on completing the evaluation of the vendor responses to the RFP for a Tier 1 system integrator to configure and implement the SAP software obtained for BAIAS and has:

- Completed Cut 3 and Cut 4 of the evaluation process,
- Announced Accenture as the ASV,
- Completed and began implementing the BAIAS Resource Plan,
- Began revising the project communication plan
- Conducted debriefing sessions as requested by vendors,
- Requested additional resources within the Governor's Supplemental Budget,
- Developed a contract strategy to emphasize the business needs of the project,
- Communicated with staff, key stakeholders, and decision makers about the results of the evaluation process,
- Continued mapping the "as is" business processes,
- Requested resources from partners to participate full time in project activities; and
- Avoided a protest by any of the unsuccessful vendors.

The project has implemented Recommendation #4:

Develop a detailed staff resource plan that reflects the magnitude of this business project, the impact to customers that extend far beyond all state agencies, and the contributions needed by partners.

We are not offering any new recommendations at this time. Progress is continuing on the two open recommendations.

Mr. Steve Hill
Health Care Authority

January 7, 2008

We would like to commend the project on conducting this acquisition process without receiving a protest from any of the vendors involved. Few projects of this size and strategic importance are able to claim this achievement. The summary of recommendation status is attached as Appendix A to this report. Please don't hesitate to call Julie Boyer or myself at 360.956.9064 if you have any questions or concerns.

Sincerely,



Kathleen Nolte
Director

Enclosure

cc: Gary Robinson, Department of Information Services
Beth Dupre, Deputy Administrator
Mary Fliss, Assistant Administrator
Heide Cassidy, Project Manager
Tom Parma, Department of Information Services



Washington State Health Care Authority

**Benefits Administration / Insurance
Accounting System Project**

QUALITY ASSURANCE

Periodic Report

November 1 through December 31, 2007



STERLING
ASSOCIATES, LLP

Quality Assurance Findings—*What is...*

◆ Environment

- After receiving five vendor proposals in response to its RFP for a system integrator, the Health Care Authority (HCA) began a rigorous review of the proposals in order to identify the apparently successful vendor (ASV) by the end of December. Utilizing contract specialists from the Department of General Administration (GA) to coordinate the evaluation process and communicate with the vendors, the HCA evaluated the proposals in four separate steps (“cuts”).
 - Cut 1 included an evaluation of the status of the vendor and the proposal to confirm each as being responsive.
 - Cut 2 included an evaluation of the experience and qualifications of each vendor to calculate a competitive range.
 - Cut 3 included an evaluation of all scored elements of the proposals to determine relative ranking.
 - Cut 4 included a comprehensive evaluation of all results and rankings as well as the oral presentations. Cut 4 also included an option for HCA to conduct a best and final offer (BAFO).
- Of the five proposals received, one was returned to the vendor after it was found to be unresponsive in Cut 1.
- Of the four proposals advanced for further review into Cut 2, three vendors were deemed competitive and advanced for further review into Cut 3 and one vendor did not advance.
- Of the three proposals that progressed into Cut 3, all three vendors were deemed competitive and advanced into Cut 4 as participants in the oral interviews.
- Of the three vendors that participated in the oral interviews, Accenture was selected as the apparently successful vendor and announced on December 14. Contract negotiations with Accenture will begin in early January.
- Work continues on documenting some of the AS-IS processes by the core team in advance of the Gap Analysis. Capturing this information prior to the arrival of Accenture, allows the core team members and some of their partners to increase their knowledge of current business processes used inside and outside the HCA. Their increased business knowledge will be valuable as they begin Gap Analysis.

Quality Assurance Findings—*What is...*

◆ Approach

- As the evaluation progressed, it became clear that conducting the optional BAFO as part of Cut 4 would not necessarily provide additional value to the selection process. Project leaders weighed the BAFO option and recommended to the Project Sponsors that the BAFO not be conducted. The Project Sponsors accepted the recommendation. This allowed the project to announce the ASV a week ahead of schedule.
- The HCA used staff from many other agencies to help with the evaluation process and observe the vendors during the oral interviews. All of the individuals participating in the process were given an opportunity to share their perceptions of the strengths, weaknesses and risks of each vendor. Given the broad technical and programmatic representation of the participants, the critique provided decision makers with many perspectives and different values to consider.
- As planned, the RFP coordinator was responsible for managing the process, documenting the results, formally communicating with vendors, and providing an opportunity to debrief after the results were announced. One vendor who did not advance beyond Cut 2 requested and received a debrief. All three of the vendors involved in the oral interviews requested and received a debrief to personally review the results of their participation in Cut 1, 2, 3 and 4. Each of the vendors was provided with the narrative or numeric summary of their results for each Cut. The RFP coordinator along with the Quality Assurance consultant answered questions from the vendors about the evaluation process and about specific comments contained in the narrative summary. General information was also provided regarding the protest process and the request for public disclosure of records related to the overall selection process.
- All of the vendors expressed their appreciation for obtaining feedback about their performance and what weaknesses and risks were considered in selecting an ASV.
- No protests were submitted to the RFP coordinator by the vendors who responded to the BAIAS RFP. This reflects well on the project's credibility, thoroughness, and open communication with the vendors.

Quality Assurance Findings—*What is...* (continued)

◆ Schedule

- The acquisition activities remain on schedule for the BAIAS project. HCA plans to have the system integrator under contract in March 2008.
- The expectation by HCA that the integrator will be responsible for developing and maintaining an integrated project plan with built-in resource levels and dependencies remains unchanged. After the Gap Analysis Phase, the project will have the information it needs to develop a fully integrated project plan to guide and monitor progress. The HCA currently manages separate work plans for the acquisition phase and the BPR activities.

➤ *See Previous Recommendation #1 in Appendix A*

◆ Expectations

- While not a regular step in an acquisition process for a system integrator, two of the vendors noted that the sessions conducted during the summer by HCA helped them to learn about HCA's business and system challenges and to prepare for the RFP process. Specifically, the process allowed them to ask questions candidly so that they could better understand HCA's business needs, meet the individuals involved in leading the project, and learn about the culture and values of the organization.
- Staff from the HCA have been in regular communication with their partner agencies and key stakeholders as the acquisition process has progressed. Questions and concerns about the acquisition process or project approach from these groups have been answered promptly. Despite the angst expressed about their experiences with the implementation of HRMS, many of the members of the Advisory Group expressed their support for the BAIAS project after the announcement of Accenture as the ASV. How past experiences by state agencies with SAP and Accenture may impact the BAIAS project activities is not yet known. It is likely that additional and targeted communications will be needed to address any lingering concerns about the vendor's ability to implement the BAIAS system successfully.



Quality Assurance Findings—*What is...* (continued)

◆ Resources

- The BAIAS Resource Plan has been developed and discussed with the Executive Sponsors and the Steering Committee. Project leaders are responsible to fill (or backfill) positions that are involved in the project activities. The Resource Plan is already being refined to reflect the staffing plan and assumptions contained within the Accenture proposal. Project leaders will need to monitor the implementation of the Resource Plan and be prepared to take action quickly should resource levels fail to meet the expected level by the established time or individuals assigned to complete specific tasks fail to accomplish their assignments in a timely manner.
- As described in the Resource Plan, contacts with other agencies at the executive and operational level are being made requesting staff resources for the project as well. Having experts from other organizations participate on the project will be necessary in order to understand how the organizations operate currently and the impact that potential business process changes may have.
- Within the project, dozens of position descriptions have been developed, position announcements have been posted, and applications are now being accepted for some of the project positions. Project leaders have been asked to identify and encourage candidates with the necessary skills and experiences from within HCA and state government to apply for these positions.
- A budget / fiscal analyst was hired for the project. Interviews have been conducted for an administrative assistant after the newly hired employee resigned in December. Recruitment for project core team positions is in progress.
- The Governor's Supplemental Budget includes additional resources for the BAIAS project as requested by the HCA. The request will be considered during the upcoming legislative session. The additional resources will be necessary to support the costs that will be incurred during the current biennium for project operations and the implementation vendor activities.

Quality Assurance Findings—*What is...* (continued)

◆ Leadership

- Project leaders did an outstanding job of following the evaluation process established for selection of an ASV. This required attention to detail to schedule many different evaluation sessions and discipline to complete the work within the time allowed. Project leaders maintained frequent communication with Project Sponsors to report on the progress being made in the evaluation process and conveyed the results of the analysis performed.

◆ Controls

- Controls being utilized to manage the project are sufficient given the level of activity and status of the project.

◆ Communication

- An internal communication plan has been drafted that includes the messages to be delivered, the audience for the message, the schedule and responsibility for completing the action. This draft plan gives the project an important part of the overall Communication Plan. While there is still work to be done planning for external communications, the project has made notable progress on this issue.

➤ *See Previous Recommendation #3 in Appendix A*

Quality Assurance Findings—*What is...* (continued)

◆ Credibility and Integrity

- Project leaders spent considerable time and effort in communicating with staff, partners, key stakeholders and decision makers about the results of the vendor evaluations and selection of Accenture as the ASV. Hearing directly from project leaders about this important issue promotes trust and confidence in the project.
- The evaluation process resulted in a thorough review of the strengths, weaknesses and risks associated with each of the final vendors, including previous experiences and lessons learned. The evaluation team, project leaders and sponsors are satisfied that the best candidate was selected as the implementation vendor. Credibility issues related to past experiences were discussed and will be monitored throughout the project.
- The successful conduct of a multi-million dollar acquisition process with far reaching business implications without receiving a protest from any of the Tier 1 vendors, should add to the credibility and integrity associated with the BAIAS project.

◆ Commitment

- Project leaders made themselves visible and accessible to the project team, evaluators, vendors, stakeholders and decision makers throughout the evaluation process. Evaluators and facilitators came prepared and ready to perform the work each was assigned. Without this level of commitment, the project would have been unable to stay on schedule, announce an ASV in mid-December, conduct vendor debriefs, and avoid any protests.

Appendix A - Summary of Recommendations

Quality Assurance Recommendations									
Recommendations		Dec 2006	Feb 2007	April 2007	June 2007	Aug 2007	Oct 2007	Dec 2007	Status / Comments
1	Develop a project plan reflecting the assumptions built into the project and the resources available, including major tasks, milestones, decision points, dependencies, schedule and the critical path. Ensure collaboration among all participants to identify dependencies and a reasonable schedule for completion.	➤	➤	➤	➤	➤	➤	➤	In progress. This will be in progress until the gap analysis phase is completed.
3	Revise the communication plan and include identification of specific stakeholder needs, required information, responsibilities for completion, and timing of communication.	➤	➤	➤	➤	➤	➤	➤	The tactical communication plan has been drafted and includes more detail about the internal audiences and the messages to be delivered to them.
4	Develop a detailed staff resource plan that reflects the magnitude of this business project, the impact to customers that extend far beyond all state agencies, and the contributions needed by partners.					☆	➤	✓	The BAIAS Resource Plan has been developed and is being implemented.
☆ Recommendation made ✓ Recommendation implemented ➤ In progress ✗ Recommendation not yet implemented Recommendations not included have been closed for more than one month.									